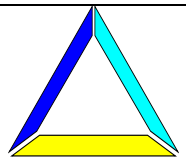
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V18

The Structure of Foreign Direct Investment in Ukraine and its Macroeconomic Implications

Executive Summary

Since the beginning of the 1990s until the early years of this millennium, Ukraine failed to attract significant amounts of FDI inflows. This situation changed considerably over the last 2 years with strong inflows, which are predicated to continue in the future. Besides their general economic benefits, these FDI inflows serve an important external financing function in an environment of increasing CA deficits.

However, a further look at FDI inflow data over the last years reveals that the composition of inflows was biased towards the service sector, mainly financial intermediation, and less so to export-oriented manufacturing. While there are good reasons to welcome such FDI, especially in the banking sector, there are nonetheless risks involved in such a FDI concentration on non-export-oriented activities. While the overall impact of export-increasing FDI will be an improvement in the current account, at least in the long run, the same cannot be said about non-export-oriented FDI, which might instead increase imports. A key risk is therefore a future worsening of the external environment due to such an undiversified FDI inflow structure.

Apart from these risks originating from different types of FDI, large inflows can in general be accompanied by negative monetary and exchange rate implications, leading to a real appreciation and a loss in competitiveness. Therefore, it seems necessary to develop the right policy responses to combat such effects.

The challenge for policymakers in Ukraine is to develop a strategy to maximize the benefits of FDI while controlling for their associated risks. Policies to attract higher inflows include further privatization efforts and a general improvement in investment climate. In order to reach a more diversified structure of inflows in the future, we recommend as a first-best solution a quick WTO accession, possibly followed by the negotiation of a free-trade agreement with the EU. In the meantime, the composition of inflows should be actively monitored. Finally, policymakers should respond to negative monetary and exchange rate consequences of large FDI inflows by the use of sterilization policy and the possible establishment of a privatisation account.

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1 Introduction

Both academic research and practical experience on foreign direct investment (FDI) in transition countries, or emerging market countries in general, highlight a number of benefits which are associated with inflows of this specific type of foreign capital. Besides stimulating capital accumulation (typically restrained by the limited supply of domestic savings) these benefits include technological enhancement, know-how, and managerial skills, all of which positively impact economic growth and welfare.

While Ukraine failed to attract significant amounts of FDI inflows per capita for most of the 1990s and the early years of this millennium, the situation has changed substantially in recent years, in line with improved macroeconomic and structural conditions. The re-privatisation of Kryvorizhstal to a foreign entity in 2005 made this a record year in terms of FDI inflows. Healthy inflows in 2006, which are expected to continue over the course of 2007, mean that Ukraine has finally arrived in a situation where FDI has become an issue of quantitative and qualitative importance.

Apart from the economic benefits of FDI mentioned above, it carries a further importance in an external environment of existing and growing current account (CA) deficits. Ukraine recorded after the crisis in 1998 relatively high CA surpluses, which turned into a deficit in 2006[1] for the first time after a series of years. This deficit, a new experience for the country, is, as most international organizations forecast, likely to increase further (the IMF forecasts a CA deficit of 3.8% of GDP in 2007, while the World Bank puts this number at 3.4% of GDP in 2007 and 4.1% in 2008).[2] With this changing external environment, the financing of these deficits in the years ahead becomes automatically an issue of importance. Private capital inflows, which can take several forms or, alternatively, changes in official reserves, restore the balance-of-payments identity. Among private capital flows, FDI is due to its long-term and stable character considered an especially solid source of external financing. Therefore, a CA deficit is generally not considered a severe problem if it is entirely financed by FDI.

However, there are also certain macroeconomic risks associated with FDI, especially if it arrives in vast amounts during a short period of time, and is targeted at a limited number of industries only. Thus, long-term economic development gains cannot be taken for granted, as there are benefits as well as costs associated with FDI that may further vary according to its different types. The challenge for policymakers is thus to minimise the risks resulting from quantitative as well as qualitative aspects of FDI inflows while benefiting to the maximum degree possible from such foreign capital.

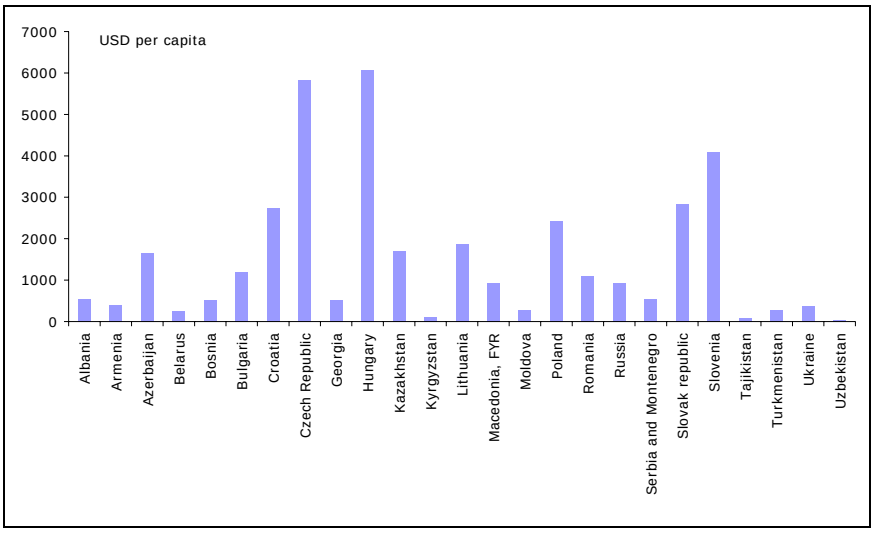
The goal of this paper is to provide a unifying analysis of FDI inflows into Ukraine by taking these different aspects into account. In Part 2 we analyze the past, present, and future general development of FDI in Ukraine in more detail. The following Part 3 takes a structural view and analyzes in which way different kinds of FDI affect economic performance. General monetary and exchange rate impacts of FDI inflows will be explained in Part 4. Overall conclusions and policy recommendations are presented in Part 5.

2 FDI in Ukraine: Past and Present

The FDI inflow in Ukraine has lagged behind the most transition countries, including those in the Central Europe and the CIS. According to the World Investment Report 2006, in 2005 the FDI inward stock per capita in Ukraine was mere USD 370, while in Hungary it exceeded USD 6000 (Picture 1). The only transition countries that performed worse than Ukraine were Central Asian countries like Uzbekistan and Tajikistan, and Belarus.

[1] For the first nine months of 2006 the CA deficit was USD 0.3 bn.
[2] Sources: World Economic Outlook September 2006 (IMF) and Global Economic Prospects 2007 (World Bank).

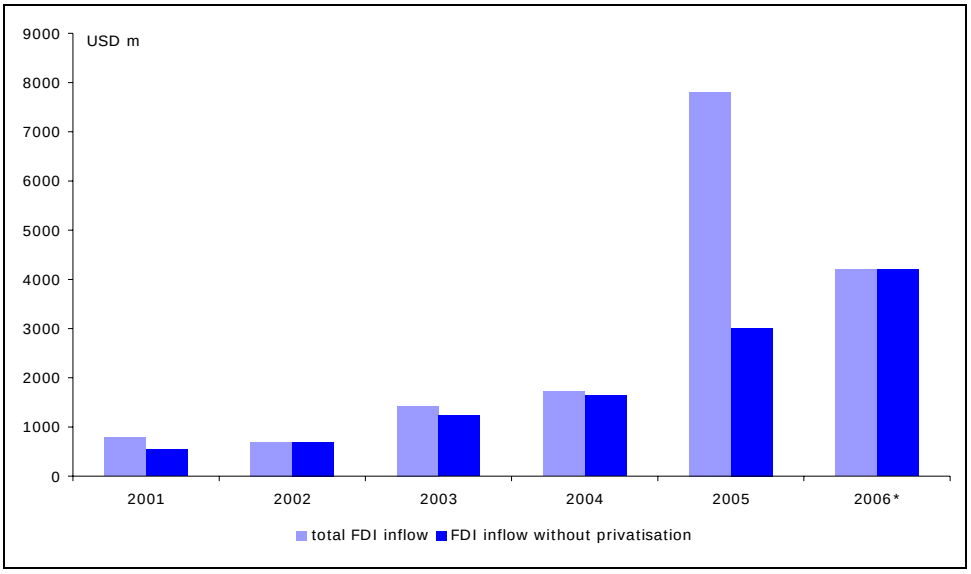
Picture 1
FDI inward stock per capita in transition economies in 2005



Sources: UNCTAD World Investment Report 2006, IFS

The situation changed in the second half of 2005 and 2006, when FDI inflows significantly accelerated (Picture 2). According to the National Bank of Ukraine (NBU) data, in the nine month of 2006 FDI inflows reached USD 3.56 bn; that is 3.5 time higher than in the same period of the previous year. The key distinction of the 2006 FDI flows is that they are not related to privatisation. Before, some of the noticeable splashes of FDI inflows in Ukraine were attributed to the privatisation process: in 2001 it was a privatisation of several energy generating companies (oblenergo), in 2003 – some chemical enterprises, and in 2005 it was the second privatisation of Kryvorizhstal that brought the record amount of USD 4.8 bn. Now, for the first time, such significant capital inflows came mostly in the form of the M&A (mergers and acquisitions), in particular in the banking sector.

Picture 2
FDI inflow in Ukraine in 2001-2006



Sources: NBU, IER estimates

Note: * IER estimate

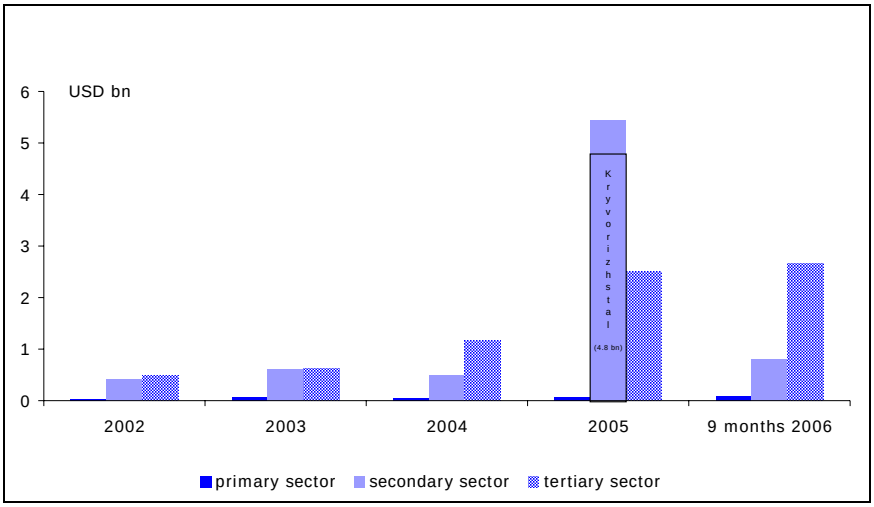
The prospects of future FDI inflows seem bright. According to the consensus forecast released by the Ministry of Economy[3], in 2007 the FDI inflow is expected to be USD 3.1 bn. International experts are even more optimistic concerning the prospects of FDI inflows in Ukraine. According to Economist Intelligence Unit, FDI inflows are forecast to grow to USD 4.5 bn in 2007 and peak at USD 4.8 bn in 2008. The average inflow of FDI in 2007-2011 is expected at USD 4.3 bn per year. The acceleration of investments the experts link to the relaxation of licensing requirements[4], likely due to the expected WTO accession of Ukraine.

The accelerated inflow of the FDI balances out the current account deficit registered in Ukraine that in the nine months of 2006 comprised USD 0.3 bn, while the deficit of the trade balance was USD 2.9 bn. The reliance of the FDI as a form of the CA deficit financing is crucial for the sustainability of the latter, providing Ukraine with funds for financing investments without exposing the country to the risk of economic destabilisation[5].

3 The Structure of FDI

Having discussed the general development of FDI in Ukraine, we are now ready to turn from an aggregate view to a sectoral view, as this allows us to discover certain trends in activity. The following figure provides a sectoral decomposition of FDI inflows into Ukraine over the most recent years:

Picture 3
FDI Inflow by Sectors in Ukraine, 2002-2006



Sources: Derzhkomstat, NBU, IER estimates

FDI inflow activity in the primary sector (i.e. agriculture & fishing) is clearly negligible, as Figure 3 demonstrates, and will therefore not be further discussed. The secondary sector stands for industrial activities, mainly manufacturing. Here, a relatively flat trend without clear direction can be observed, interrupted only by an enormous upsurge in 2005. This spike is due to Kryvorizhstal's sale to foreign owners and is therefore highlighted as a special case. Subtracting this privatisation deal, the development would be similar to that in adjacent years. The tertiary sector covers a wide range of services, like financial intermediation, wholesale and retail trade, transport, real estate, etc. Here, a very dynamic direct investment activity can be observed. Starting from an inflow basis roughly similar with industrial FDI in 2002-2003, service FDI have clearly outpaced the former between 2004 and 9M 2006, if we exclude Kryvorizhstal from the comparison in 2005. Only in this sector, a clear upsurge trend over the whole period 2002-2006 can be identified. The main recipient among the many sub-sectors of the tertiary sector was financial intermediation.

[3] http://www.me.gov.ua/file/link/87021/file/Cons_Forecast_October06.doc
[4] Ukraine: Business Environment at a Glance. EIU, Viewswire. January 2, 2007.
[5] The external sector: resurgence of a current account deficit. // New Challenges for Economic Policy in Ukraine: Proposals for Immediate Action. – Kyiv, July 2006. – http://www.ier.kiev.ua/

Turning now to the total stock of FDI in Ukraine (not given in Picture 3, which deals with flow data), this amounts to USD 19.9 bn as of beginning of October 2006[6]. While the primary sector's share of this figure is a mere 1.9%, the split between the remaining sectors is quite even, with 49.9% in the secondary sector and 48.2% in the third.

In general, FDI flows are driven by two main motivations, either in the form of export-oriented FDI, to increase the export capacity, or market-seeking FDI, which is orientated towards penetrating the domestic market. Each form of FDI has different economic implications attached, whose importance for Ukraine needs to be carefully studied.

3.1 Export-oriented FDI

Export-oriented FDI inflows (so called "vertical FDI") result in an international relocation of production and increase in export flows. In this case, multinational enterprises aim to concentrate certain activities of the value chain in some countries and export the resulting goods to the next processing level, which takes place in other countries. This is especially the case for labour intensive productions, as FDI can take advantage of relatively low productivity-adjusted labour costs in the host country. Such investments will especially be done in the **secondary sector**, i.e. industry, while other sectors of the economy could also be potential hosts to such inflows to a smaller degree[7].

Besides its obvious effects on production and employment, this type of FDI strengthens the export base, and leads to an increase in international competitiveness. This can lead in the longer term to an overall improvement of the CA, with rising foreign exchange earnings. However, in the short term, the CA might be negatively affected as typically capital goods are imported, in an effort to modernize and extent production facilities. These goods (e.g. machines) can therefore best be seen as long term foreign exchange-generating assets, which would not be the case if this investment would have been conducted in the non-export service sector. If FDI is targeted at import substitution, e.g. the installation of energy-saving technologies that save imported gas, the above described mechanism would principally work the same way, as regards the net effect on the CA. Net exports would effectively increase in the long term.

There are basically two different ways, in which FDI inflows can enter the country, in the form of greenfield FDI or through M&A. The former involves the creation of new capital assets, while the latter is simply a transfer of existing assets under the control of foreign owners. Therefore, in the short term it may well be that greenfield FDI would have a stronger impact on capacity creation and exports than FDI due to M&A. However, this distinction between different modes of FDI seems to diminish in the medium to long term, as FDI due to M&A often also implies further investments and a similar capacity enhancement.

A key point to note is that export-oriented FDI is able to encourage the evolution of a competitive industrial structure, thereby allowing the development of new specializations and a gradual change in comparative advantage. This change away from traditional (less-diversified) exports of relatively low value added and a low level of processing towards a larger variety of modern and higher value added products could consequently be accomplished more smoothly.

As figure 3 made visible, Ukraine failed to attract significant amounts of such export-oriented in manufacturing over the last years (if the case of Kryvoryzhstal is excluded from consideration). However, the country brings along some important prerequisites for potentially higher export-oriented FDI inflows, be it in the form of greenfield or through M&A: low productivity-adjusted labour costs in connection with a well-educated labour force, its geographical position bordering the EU, and the fact that many competing CEE countries (some of which are now EU members) have seen steadily rising labour costs. The latter point deserves special attention, as it implies that these countries have lost part of their traditional comparative advantages in the production of labour intensive goods at the cost of others, and FDI flows mirror this fact by shifting increasingly towards less advanced CEE countries.

[6] Equity capital.

[7] Equating export-orientation automatically with goods production (i.e. industrial activities) is therefore not strictly correct, especially in a changing global environment. Beside traditional exports of services like tourism, the new debate on service offshoring provides new export opportunities for emerging markets. Export-orientation is therefore more and more the product of international restructuring, be it in goods or in services.

3.2 Market-seeking FDI

Market-seeking FDI inflows (so called "horizontal FDI") are aimed primarily at expanding business activities in order to service the domestic market. This implies the establishment of facilities which can effectively perform this task. A possible export motivation is not the prime reason behind such flows, even though the character of such direct investments can possibly change over time. Often, this market-seeking FDI are conducted in non-manufacturing sectors, i.e. in the **tertiary sector**.

Ukraine, with its very dynamic development of domestic demand growth, has clearly attracted such market-seeking FDI to a growing degree. As was mentioned above, the main focus of FDI was in the service sector over the last years, and here especially in financial intermediation, i.e. banking. While the total share of the banks with foreign ownership was 9% in terms of assets at the beginning of 2005, this figure climbed to 37% as of beginning of October 2006[8]. There are currently further significant ownership changes as M&A activity continues to surge. Annex 1 provides an overview over selected cross-border M&A banking transactions in Ukraine over recent years. The reasons for this recent interest are attractive growth rates, coupled with an impressive potential due to still low penetration rates against the background of a improved and relatively stable macroeconomic environment.

The importance of these FDI inflows into the financial sector cannot be denied, as financial deepening is considered a prerequisite for economic growth and prosperity. Selling domestic banks to foreign direct investors is generally positive, because it contributes to increasing competitiveness, confidence and efficiency of financial intermediation. Foreign owners (mainly banks) inject latest technology, managerial know-how, rules of good corporate governance and provide access to low-cost funding from abroad. This improvement in financial infrastructure can, in turn, stimulate further inflows of FDI into different sectors of the economy.

However, while the current boom in banking FDI (as well as in tertiary sector FDI in general) can be considered a welcome advance on the path of catching-up and convergence, large inflows of FDI and associated future capital inflows like foreign loans over a short period of time give also rise to a number of concerns. These inflows may further strengthen already strong aggregate demand (especially consumption), which in turn drives up imports (mainly consumption goods) and the CA deficit and increases inflation risk. The impact of these inflows will therefore be most likely on the import side.

At the same time, since the FDI is market-seeking rather than export-oriented, there is no increase in export capacity and, subsequently, foreign exchange earnings involved. The different nature of market-seeking FDI flows regarding further export performance and foreign exchange supply in comparison to export-oriented FDI is obvious, and extends to other sub sectors of the tertiary sector apart from banking (e.g. wholesale and retail trade). Therefore, these flows have to be carefully monitored as they may potentially worsen the country's external environment (the CA deficit, and connected, exchange rate policy).

4 Monetary and Exchange Rate Implications of FDI

The previous chapter focused on macroeconomic consequences of different types of FDI. Given their underlying primary motivations, it suggested that FDI inflows can impact the economy in quite different ways. However, the discussion of macroeconomic impacts of FDI inflows so far cannot be considered complete. FDI inflows bring in general, regardless of their concrete types, further monetary and exchange rate implications with it. Since they are a- potentially sizable - special kind of capital inflow, they need to be discussed from a stabilization perspective.

The sudden arrival of large amounts of foreign capital in a small open economy leads in a first step to a surge in supply in the foreign exchange market[9]. The underlying capital inflow may not be necessarily tied to FDI, but could also relate to portfolio investments or bank lending.

[8] Source: ING Bank Ukraine.
[9] See also IER policy paper V3 on "Managing Capital Flows: Ensuring Long-Term Benefits while Controlling for Short-Term Risks" from February 2006.

However, in emerging markets with relatively underdeveloped capital markets and banking systems, this inflow is often caused by FDI.

The resulting excess supply of foreign exchange poses the following policy dilemma for the authorities. On the one hand, if there is no intervention by the central bank, a nominal (and real) appreciation of domestic currency will result, leading to a loss in export competitiveness. This has further negative effects on employment and growth. On the other hand, if the central bank decides to use (unsterilised) interventions to keep the nominal rate stable, this will result in an increase in money supply, and subsequently, inflation. In one way or the other, a real appreciation takes place and a loss in international competitiveness results. This will most likely lead to growing external imbalances.

There are number of responses to above mentioned monetary and exchange rate risks of FDI inflows:

1) Sterilisation policy:

The standard instrument in order to neutralize the monetary impact of foreign exchange interventions is sterilisation policy. By selling available domestic securities, or issuing own interest-bearing securities, the central bank is able to mop-up excess liquidity. However, this sterilisation might push up domestic interest rates, attracting further interest-sensitive capital flows which lead to a cycle known as “sterilisation trap”. Moreover, in case domestic interest rates are higher than foreign ones, there are direct costs of such sterilisation operations, which may be substantial and lead to large (operating) losses.

2) Repayment of foreign debt:

This measure tries to neutralise at least parts of the capital inflows by prepaying sovereign foreign debt to private or multilateral creditors. The underlying motive is here to generate a compensating foreign exchange outflow.

3) Shifting of government accounts:

By shifting government accounts from private banks to the central bank, authorities can dampen broad money creation to a certain degree. This measure is especially effective in countries where government deposits form a large share of the deposit base of commercial banks.

4) Special privatisation accounts:

This is a specific measure in case these inflows are privatization-related, i.e. the state receives the foreign funds. Some countries like the Czech Republic created privatisation accounts at their central banks[10], in which foreign currency inflows resulting from sales of state property had to be deposited by the government/finance ministry. When parts of these funds were drawn down by the government, the central bank converted them into local currency outside the regular foreign exchange market by purchasing them directly and transferring them to their foreign exchange reserves. This kept immense amounts of foreign exchange from entering the market at irregular intervals.

Regarding Ukraine’s concrete choice of policy responses, some remarks seem of order here. As has been noted in other policy papers[11], foreign debt repayment (option 2) seems not the preferred option, taking into account its small amount and the important benchmarking function it performs. Shifting of government accounts (option 3) is also not an option, as deposits are already kept at the treasury account in the NBU. Therefore a concentration on the remaining options of sterilization policy and the possible creation of a privatisation account seems necessary.

[10] These accounts could also be established at other agencies. See Bank for International Settlements (2005): Globalisation and monetary policy in emerging markets, BIS Policy Papers No. 23, p.85.
[11] See also IER policy paper V11 on “Large privatisation receipts in Ukraine: Recommendations on how to use the money wisely” from October 2006.

5 Conclusions and Policy Recommendations

The above discussion made it clear that FDI has grown considerably over the last 1-2 years, and could potentially make a major impact on the future economic prosperity of Ukraine in terms of economic growth and further integration into the world economy. This is especially true in the light of expected further increases in the CA deficit for which it can provide a reliable source of financing.

Proposal 1: The active encouragement of further FDI inflows must be a primary goal of government policy, especially as worldwide competition for this type of foreign capital intensifies. Forms of this encouragement may vary, but the general strengthening of the investment and business climate seems a first best solution. Further privatisations of large state enterprises to foreign investors are among key catalyst in FDI attraction.

Turning to the sectoral distribution of FDI rather than to its overall level, it is equally well important to achieve a **diversified mix of FDI inflows.** This diversification sets the stage for improved quality and sustainability of growth over the medium term and minimizes future risks related to external imbalances. Market-seeking FDI especially in services are clearly important, but need to be supported by export-oriented FDI in manufacturing. Regarding these types, our analysis has shown that FDI inflows into Ukraine over the last years were not fully balanced.

While policy makers have potentially a wide array of instruments for actively targeting such export-oriented FDI in the form of special or export-processing zones (SEZ/EPZ) at hand, theoretical and empirical evaluations of these instruments are not clear-cut[12] and need further analysis. Potentially helpful in attracting export-oriented FDI, their benefits would have to be carefully weighted against their associated risks (e.g. tax base erosion, rent-seeking, corruption, etc.).

However, a preferred first-best policy response in obtaining more diversified FDI that avoids these issues is the coming WTO accession, especially if followed subsequently by a free-trade agreement (FTA) with the EU. This would lower trade barriers, especially in manufacturing, making FDI with export-orientation in this sector more likely. The expected liberalisation in (mainly manufacturing) trade could therefore bring such a balance in sectoral FDI inflows.

Proposal 2: The attraction of diversified FDI inflows is crucial for a stable medium-term development path. While the use of instruments promoting export-oriented FDI needs further analysis, such positive effects can be expected from WTO accession and a FTA with the EU. In the meantime, a close sectoral monitoring of FDI inflows to detect an increase in the country's external imbalances is recommended.

Apart from these sectoral considerations, sudden and large amounts of FDI inflows can pose general problems for stabilization policy. Small open countries like Ukraine may face negative monetary and exchange rate consequences when faced with such inflows, leading to real appreciation and a loss in international competitiveness. Therefore, policy makers need to develop measures to curb such associated appreciation pressures.

Proposal 3: Among the possible responses to combat potentially negative consequences of these inflows, Ukraine should focus on sterilization policy and the possible creation of a privatisation account.

Final 15 Jan 07

Robert Kirchner/Veronika Movchan/Ricardo Giucci

[12] See also the 2006 IER paper on "Special Economic Zones in Ukraine: Other View" on general findings of the literature as well as special reference to the situation in Ukraine.

Annex1:

Overview Of Cross-Border M&A Deals In The Ukrainian Banking Sector

Date	Buyer	Target	Acquired stake
Jul-06	PPF Group (Czech Rep)	Agrobank	USD 26-32* mln for 100%
Jul-06	EFG Eurobank (Greece)	Universalny	USD 30-40* mln for 99.3%
Jul-06	Russian Standard (Russia)	Avtoinveststroybank	USD 9.2-10 mln for a <50% stake
Jul-06	Erste Bank (Austria)	Prestige Bank	USD 35.3 mln for 50.5%
Apr-06	Portfolio investors	Ukrinbank	USD 30 mln for 20%
May-06	OTP Bank (Hungary)	Raiffeisenbank-Ukraine	USD 833 mln for 100%
Apr-06	Portfolio investors	Rodovid Bank	USD 37 mln for 19%
Mar-06	Portfolio investors	Megabank	USD 19 mln for 20% stake
Mar-06	Credit Agricole (France)	Index Bank	USD 264 mln for 100%
Feb-06	Banca Intesa (Italy)	Ukrsotsbank	USD 1.16 bln for 88% stake
Jan-06	Vneshtorgbank (Russia)	Mriya	USD 70 mln for 98% stake
Dec-05	BNP Paribas (France)	Ukrsibbank	~USD 350 mln for 51% stake
Oct-05	Portfolio investors	Forum	USD 20 mln for 10%
Aug-05	Raiffeisen International (Austria)	Aval Bank	USD 1.028 bln for 93.5% stake
Apr-04	PKO Bank Polski (Poland)	Kredyt Bank	USD 30 mln for 66.65%
Jan-04	Vilniaus Bankas (Lithuania) (member of SEB group)	Azhio Bank	EUR 23.3 mln for >90%
* Concorde Capital estimates			

Source: Concorde Capital, 2006

Annex 2:

FDI Inward Stock in Transition Economies, USD bn

Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Czech Republic	7.35	8.57	9.23	14.38	17.55	21.64	27.09	38.67	45.29	57.26	59.46
Hungary	11.30	13.28	17.97	20.73	23.26	22.87	27.41	36.22	48.34	62.69	61.22
Lithuania	0.35	0.70	1.04	1.63	2.06	2.33	2.67	3.98	4.96	6.39	6.46
Poland	7.84	11.46	14.59	22.46	26.08	34.23	41.25	48.32	57.88	85.61	93.33
Slovak Republic	0.81	1.25	1.67	2.13	2.27	3.73	4.84	8.53	11.86	15.36	15.32
Slovenia	1.89	2.04	2.19	2.76	2.69	2.89	2.60	4.11	6.48	7.57	8.06
Armenia	0.07	0.08	0.14	0.37	0.51	0.63	0.72	0.87	1.02	1.01	1.22
Azerbaijan	0.33	0.96	2.09	3.10	3.61	3.74	3.96	5.36	8.64	12.20	13.88
Belarus	0.05	0.15	0.51	0.71	1.16	1.31	1.40	1.65	1.90	2.06	2.38
Georgia	0.03	0.07	0.25	0.51	0.59	0.73	0.86	1.03	1.37	1.87	2.32
Kazakhstan	2.90	4.03	5.35	6.51	7.98	10.08	12.92	15.46	17.59	22.33	25.15
Kyrgyzstan	0.14	0.19	0.27	0.38	0.43	0.45	0.44	0.48	0.49	0.68	0.52
Moldova	0.09	0.12	0.19	0.24	0.31	0.44	0.54	0.67	0.76	0.91	1.13
Russia	0.35	0.43	0.97	0.37	0.73	32.20	52.92	70.88	96.73	117.89	132.49
Tajikistan	0.04	0.06	0.08	0.11	0.11	0.14	0.15	0.18	0.20	0.47	0.52
Turkmenistan	0.42	0.52	0.63	0.69	0.82	0.94	1.11	1.21	1.31	1.30	1.36
Ukraine	0.90	1.44	2.06	2.80	3.25	3.88	4.80	5.92	7.57	9.61	17.21
Uzbekistan	0.11	0.20	0.36	0.50	0.62	0.70	0.78	0.85	0.92	0.92	0.96
Albania	0.20	0.29	0.34	0.38	0.42	0.57	0.78	0.91	1.09	1.42	1.68
Bosnia	0.01	0.01	0.01	0.07	0.25	0.40	0.52	0.78	1.16	1.77	2.07
Bulgaria	0.45	0.55	1.06	1.60	2.40	2.26	2.76	3.70	6.25	9.22	9.17
Croatia	0.48	0.99	2.14	1.93	2.56	3.52	4.31	6.86	10.29	12.60	12.52
Macedonia, FYR	0.16	0.17	0.20	0.33	0.36	0.54	0.92	1.21	1.62	1.78	1.88
Romania	0.82	1.10	2.35	4.42	5.47	6.48	7.64	7.80	12.19	20.52	23.82
Serbia and Montenegro	0.33	0.33	1.07	1.18	1.29	1.32	1.48	1.62	2.98	3.95	5.43

Source: UNCTAD WIR 2006